

Middle Class Economics: Building a 21st Century Infrastructure

The President's 2016 Budget is designed to bring middle class economics into the 21st Century. This Budget shows what we can do if we invest in America's future and commit to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America. It lays out a strategy to strengthen our middle class and help America's hard-working families get ahead in a time of relentless economic and technological change. And it makes the critical investments needed to accelerate and sustain economic growth in the long run, including in research, education, training, and infrastructure.

These proposals will help working families feel more secure with paychecks that go further, help American workers upgrade their skills so they can compete for higher-paying jobs, and help create the conditions for our businesses to keep generating good new jobs for our workers to fill, while also fulfilling our most basic responsibility to keep Americans safe. We will make these investments, and end the harmful spending cuts known as sequestration, by cutting inefficient spending and reforming our broken tax code to make sure everyone pays their fair share. We can do all this while also putting our Nation on a more sustainable fiscal path. The Budget achieves about \$1.8 trillion in deficit reduction, primarily from reforms to health programs, our tax code, and immigration.

Building a 21st century infrastructure is a critical component of the Administration's efforts to accelerate economic growth, expand opportunity, create jobs and improve the competitiveness of the American economy. Modern and efficient infrastructure whether moving goods to our harbors and ports or connecting people to services or gigabits to our offices and homes helps small businesses to expand, manufacturers to export, investors to bring jobs to our shores, and lowers prices for goods and services for American families. Infrastructure like water purification plants and sewer systems provide critical services while protecting public health and the environment. The Budget includes significant investments to repair our existing infrastructure and build the infrastructure of tomorrow.

Simplifying the Business Tax Code and Rebuilding Our Infrastructure. The Budget proposes to use \$238 billion in one-time transition revenue from pro-growth business tax reform to fill the Highway Trust Fund funding shortfall and make critical new infrastructure investments as part of a \$478 billion, six-year surface transportation reauthorization proposal.

- *Transportation Reauthorization.* To spur economic growth and provide planning certainty States and localities looking to make initiate sound, multi-year investments, the Budget includes a \$478 billion, six-year surface transportation reauthorization proposal. In addition to ensuring the health of the Highway Trust Fund for another six years, the President's plan to rebuild America will increase funding to repair highways, bridges, transit systems and intercity passenger rail systems, while also making new investments to upgrade and modernize these critical elements of our infrastructure. The reauthorization proposal will provide Americans with affordable transportation options, link regions by funding the development of high-performance passenger rail, strengthen Metropolitan Planning Organizations to foster strong regional economies, accelerate the development of potentially life-saving vehicle technologies, and support American exports by improving our country's freight networks. It will also help spur innovation and economic mobility by permanently authorizing the competitive TIGER grant program to support projects that improve the movement of people and goods, bringing

job opportunities to American communities. In addition, the proposal will advance the President's Climate Action Plan by building more resilient infrastructure and reducing carbon pollution by supporting public transit to meet growing demand and encouraging smarter regional planning.

- *Reforming the business tax system.* In February 2012, the President provided a framework describing how business tax reform could create jobs and spur investment, while ensuring a fairer and more equitable tax system. The Budget builds on that framework with specific proposals to simplify and strengthen tax incentives for research and clean energy, to close loopholes and eliminate subsidies for special interests, and to reform the international tax system for the modern, globalized economy. The Budget proposals would both prevent U.S. companies from avoiding tax by shifting profits overseas and prevent foreign companies operating in the U.S. from avoiding the taxes they owe.

As part the transition to international business tax reform, the plan would impose a one-time transition toll charge of 14 percent on the untaxed foreign earnings that U.S. companies have accumulated overseas. The Budget would devote the one-time revenue from this toll charge to the Highway Trust Fund, financing the six-year Surface Transportation Reauthorization proposal. Devoting one-time transition revenue to infrastructure investments is both pro-growth and fiscally responsible, since it will provide jobs and spur growth without increasing long-term deficits.

Supporting New Transit Investments. The Budget dramatically increases annual transit investment over the prior reauthorization, with resources supporting both existing capacity and capacity expansion (New Starts) in projects involving bus rapid transit, subway, light rail, and commuter rail systems. Transit systems are critical not only in fast-growing cities but in suburbs, small towns, and rural areas across the country, providing much-needed services to seniors, Americans with disabilities and others. Data shows that demand for public transit continues to climb and the Administration's proposal would help meet this growing need.

Boosting Private Investment through the Build America Investment Initiative. To help further drive infrastructure investment, the Budget includes proposals aimed at enhancing the role of private capital in U.S. infrastructure investment as a vital additive to the traditional roles of Federal, State, and local governments.

- *Creating a National Infrastructure Bank.* The President continues to call for the creation of an independent Government entity to support increased investment in our Nation's infrastructure. A National Infrastructure Bank or similar financing entity with bipartisan support in Congress will have the ability to leverage private and public capital to support infrastructure projects of national and regional significance. In addition, such an entity will be able to invest through loans and loan guarantees in a broad range of infrastructure, including transportation, energy, and water projects.
- *Enacting America Fast Forward Bonds, Qualified Public Infrastructure Bonds, and Other Tax Incentives for Infrastructure Investment.* The Budget again calls for the creation of an America Fast Forward (AFF) Bonds program based on the successful example of the Build America Bonds (BABs) program. AFF Bonds will attract new sources of capital for infrastructure investment—including from public pension funds and foreign investors that do not receive a tax benefit from traditional tax exempt debt, will be exempted from sequestration, and will be

budget-neutral. In addition, the Budget proposes changes to the Foreign Investment in Real Property Tax Act (FIRPTA) aimed at enhancing the attractiveness of investment in U.S. infrastructure and real estate to a broader universe of private investors. Finally, the Budget proposes the creation of an innovative low cost infrastructure bond called a Qualified Public Infrastructure Bond (QPIB). QPIBs level the playing field for public private partnerships and will attract billions of dollars of new private capital for our Nation's airports, ports, mass transit, solid waste disposal, sewer, water, and surface transportation projects.

Supporting FAA's NextGen Initiative. The Budget provides \$956 million for the Next Generation Air Transportation System (NextGen), the multi-year effort currently underway to improve the efficiency, safety, capacity, and environmental performance of the aviation system. These funds will continue to support the transformation from a ground-based radar surveillance system to a more accurate satellite-based surveillance system; the development of 21st century data communications capability between air traffic control and aircraft to improve efficiency; and the improvement of aviation weather information.

Cutting Red Tape in the Infrastructure Permitting Process. Building a 21st century Infrastructure in a manner that safeguards our communities and the environment is an important component of President Obama's effort to strengthen our economy, create new jobs, and improve U.S. competitiveness in the global market. To support this, the Administration has taken action to modernize and improve the efficiency of the Federal permitting process for major infrastructure projects. Since 2011, agencies have worked to expedite the permitting and review of over 50 major projects. In May 2014, an interagency Steering Committee released an Implementation Plan that was informed by the best practices and lessons learned from these initial high-priority projects. Turning best practice into standard practice will improve the efficiency and effectiveness of Federal permit and review processes for all major infrastructure projects. To implement this plan, which is part of the President's Management Agenda, the Budget includes funding for an Interagency Infrastructure Permitting Improvement Center at the Department of Transportation to lead execution of the Administration's permitting reform efforts. The Budget also supports the development of crosscutting tools and resources that will improve project planning, siting, and application quality. Lastly, it supports expansion of the Federal Infrastructure Permitting Dashboard, which tracks project schedules and timeframe metrics for all major infrastructure projects. Together, these efforts will bring greater efficiency, transparency, predictability, and accountability to the permitting process. The Budget also includes additional funding to expedite the consultations required pursuant to the Endangered Species Act, which will also help accelerate permit review timeframes.

Launching National Parks Centennial Initiative. To mark the 100th year anniversary of the founding of the National Park Service (NPS) in 2016, the Budget will fund a targeted effort to put thousands of youth, returning veterans, and other Americans back to work each year restoring some of our greatest historical, cultural, and natural treasures.

- The 2016 Budget's National Parks Centennial Initiative proposes an increase of \$326 million in discretionary funds and \$500 million a year for three years in mandatory funds for a targeted effort to enhance the visitor experience at national parks. This includes steps to enhance interpretation and educational activities, better engage the next generation by reintroducing them to our parks, and address critical deferred maintenance and needed upgrades to NPS high-priority facilities.

- A key component of the Initiative focuses on deferred maintenance, with almost \$860 million in 2016 mandatory (\$300 million) and discretionary (\$560 million) funding to allow NPS over ten years to make targeted, measurable, and quantifiable upgrades to all of its highest priority non-transportation assets and restore and maintain them in good condition. Addressing the critical needs of these assets avoids deterioration and costs for future generations. The Budget also proposes \$150 million in matching funds (of which \$100 million is mandatory funding) to leverage private donations for signature projects and programs at national parks. As one of the largest investment proposals in the history of the National Parks System, the Initiative will help to upgrade facilities, water mains, paths, and visitor centers across the entire system, from Yosemite National Park to the Martin Luther King, Jr. National Historic Site.
- The Initiative will also support \$100 million in annual mandatory funding for a competitive fund for all land management agencies to address conservation and maintenance projects. The land management bureaus in DOI and USDA will use these funds for deferred maintenance and land conservation projects to improve the condition of public facilities and lands.
- The Parks Centennial will provide opportunities for children to interact with natural areas. This targeted effort provides \$20 million for transporting urban youth to national and public lands with dedicated youth coordinators to welcome them and their families. This investment in the next generation of visitors will help build the stewards of our national treasures in the future.

Supporting High Priority Veterans' Affairs Construction and Renovation Projects. The Budget includes more than \$1.5 billion in funding to support major veterans' hospital renovations and cemetery expansions to improve services and meet increased demand, as part of a Government-wide initiative to enhance agencies' missions while providing opportunities for long term savings through building upgrades and renovations.